Progress Energy

May 13, 2008

Mr. Charles Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
P. O. Drawer 11649
Columbia, South Carolina 29211

Re: Docket No. 2008-1-E

Dear Mr. Terreni:

Enclosed for filing in the subject docket is the revised direct testimony of Progress Energy Carolinas, Inc. witness Dewey S. Roberts, II. This testimony was revised to reflect the test period of April 1, 2007 to February 29, 2008 in order to align the operating information with the accounting information. All parties of record have been served.

Very truly yours,

Len S. Anthony
General Counsel – Progress Energy Carolinas

LSA:daf

Enclosures

cc: All parties of record

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Progress Energy Service Company, LLC
P.O. Box 1551
Raleigh, NC 27602

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 2008-1-E

In the Matter of:

Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc., - Annual Review of Base Rates for Fuel Costs	)))	**CERTIFICATE OF SERVICE**

I, Len S. Anthony, hereby certify that the revised testimony of Progress Energy Carolinas, Inc. witness Dewey S. Roberts, II has been served on all parties of record electronically, by hand delivery or by depositing said copy in the United States mail, postage prepaid, addressed as follows this the 13th day of May, 2008:

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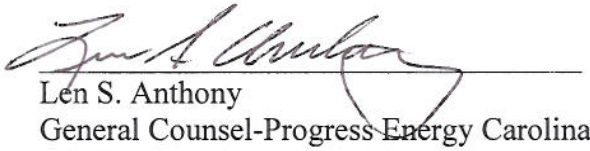

Len S. Anthony
General Counsel-Progress Energy Carolinas

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PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2008-1-E
REVISED DIRECT TESTIMONY OF
PROGRESS ENERGY CAROLINAS, INC.

WITNESS DEWEY S. ROBERTS II

Q. Mr. Roberts will you please state your full name, occupation, and address?

A. My name is Dewey S. Roberts II (Sammy). I am employed by Progress Energy Carolinas, Inc. (PEC) as Manager – Power System Operations in the System Planning and Operations Department. My business address is 3401 Hillsborough St, Raleigh, North Carolina.

Q. Please summarize briefly your educational background and experience.

A. I graduated from North Carolina State University in 1987 with a B.S. Degree in Electrical Engineering. I also obtained a Master of Science Degree in Electrical Engineering from North Carolina State University in 1990 and a Master of Business Administration Degree from North Carolina State University in 2004. I am a member of the Institute of Electrical and Electronics Engineers (IEEE). I am also a registered Professional Engineer in the state of North Carolina and I am recognized as a Certified System Operator by the North American Electric Reliability Council. I joined the Company in 1990 and have held several engineering and management positions in Nuclear Engineering, Engineering and Technical Services, System Operator Training, Portfolio Management, Transmission Services, and Power System Operations. These positions include: Project Engineer, Manager - Transmission Services, and Manager-Power System Operations. In November 2003, I assumed the position of Manager – Power System Operations in the Power

System Operations Section of Progress Energy Carolinas, Inc. System Planning and Operations Department. In my current position as Manager-Power System Operations, I am responsible for managing the safe, reliable, economic, and NERC/FERC and environmentally compliant operations for the Progress Energy Carolinas' eastern and western control area power systems.

Q. What is the purpose of your testimony here today?

A. The purpose of my testimony is to review the operating performance of the Company's nuclear, fossil, combined cycle, combustion turbine, and hydroelectric generating facilities during the period of April 1, 2007 through February 29, 2008 and demonstrate that PEC prudently operated its system for the period under review.

Q. Describe the types of generating facilities owned and operated by the Company.

A. The Company owns and operates a diverse mix of generating facilities consisting of four (4) hydro plants, forty seven (46) combustion turbines, three (3) combined cycle units, nineteen (19) fossil steam generating units, and four (4) nuclear units.

Q. Why does the Company utilize such a diverse mix of generating facilities?

A. Each type of facility has different operating and installation costs and is generally intended to meet a certain type of loading situation. In combination, the diversity of the system, in conjunction with power purchases made when doing so is more cost-effective than using a Company owned generating unit, allows the Company to meet the continuously changing customer load pattern in a reasonable, cost-effective manner. The combustion turbines, which have relatively low installation

costs but higher operating costs, are intended to be operated infrequently. They also provide resources that can be started in a relatively short time for emergency situations. In contrast, the large coal and nuclear steam generating plants have relatively high installation costs with lower operating costs, and are intended to operate in a manner to meet the constant level of demand on the system. Based on the load level that the Company is called on to serve at any given point in time, the Company selects the combination of facilities which will produce electricity in the most economical manner, giving due regard to reliability of service and safety. This total cost optimization approach provides for overall minimization of the total cost of providing service.

Q. Please elaborate on the intended use of each type of facility the Company uses to generate electricity.

A. As a general rule, peaking resources such as combustion turbines, are constructed with the intention of running them very infrequently, i.e., only during peak or emergency conditions. Combustion turbines are very effective in providing reserve capacity because they can be started quickly in response to a sharp increase in customer demand, without having to continuously operate the units. Intermediate facilities are intended to operate in a load following manner with periodic startups. They are best utilized to respond to the more predictable system load patterns because the intermediate facilities take some time to bring on-line from a cold shut down state. Additionally, these plants, located across the Company's service territory, contribute to overall system reliability. The Company's intermediate facilities are predominately our older coal-fired plants and gas-fired combined cycle

unit. They generally operate in a load following mode, being ramped up and ramped down to meet system needs. Baseload facilities are intended and designed to operate on a near continuous basis with the exception of outages for required maintenance, modifications, repairs, major overhauls, or for refueling in the case of nuclear plants. The Company's four nuclear units and five Person County coal units constitute the Company's baseload facilities.

Q. How much electricity was generated by each type of Company generating unit in the 11 month period ending February 29, 2008?

A. For the eleven-month period ending February 29, 2008, the Company generated 58,924,664 megawatt hours of electricity. Nuclear plants generated 44.53%, fossil plants generated 50.21%, combined cycle and combustion turbine units generated 4.75%, and hydroelectric units generated 0.51% of the total amount of electricity generated.

Q. How does the Company ensure that it operates these types of generating facilities as economically as possible?

A. The Company has a central Energy Control Center which monitors the electricity demands within our service area. The Energy Control Center regulates and dispatches available generating units in response to customer demand in a least cost manner. Sophisticated computer control systems match the changing load with available sources of power. Personnel at the Energy Control Center, in addition to being in contact with the Company's generating plants, are also in communication with other utilities bordering our service territory. In the event a plant is suddenly forced off-line, the interconnections with neighboring utilities help to ensure that

service to our customers will go uninterrupted. Additionally, the interconnections allow us access to the unloaded capacity of neighboring utilities so that our customers will be served by the lowest cost power available through inter-utility purchases.

Q. How does the Company determine when it needs to purchase power?

A. The Company is constantly reviewing the power markets for purchase opportunities. We buy when there is reliable power available that is less expensive than the marginal cost of all available resources to the Company. This review of the power markets is done on an hourly, daily, weekly, monthly basis. Also, with regard to long term resource planning, we always evaluate purchased power opportunities against self build options.

Q. During the review period April 1, 2007 through February 29, 2008, did the Company prudently operate its generating system within the guidelines discussed in regard to the three types of facilities?

A. Yes. Two different measures are utilized to evaluate the performance of generating facilities. They are equivalent availability factor and capacity factor. Equivalent availability factor refers to the percent of a given time a facility was available to operate at full power if needed. Capacity factor measures the generation a facility actually produces against the amount of generation that theoretically could be produced in a given time period, based on its maximum dependable capacity. Equivalent availability factor describes how well a facility was operated, even in cases where the unit was used in a load following application. Our combustion turbines averaged 93.43% equivalent availability and a 6.07% capacity factor for

the eleven-month period ending February 29, 2008. These performance indicators are consistent with the combustion turbine generation intended purpose. The generation was almost always available for use, but operated minimally. Our intermediate gas-fired combined cycle unit averaged 89.29% equivalent availability and a 36.67% capacity factor for the eleven-month period ending February 29, 2008. Again, this level of operation is consistent with the facility's intended purpose, that being a load following position after our intermediate fossil plants. Our intermediate (or cycling) coal fired units, had an average equivalent availability factor of 89.72% and a capacity factor of 64.77% for the eleven-month period ending February 29, 2008. Again, these performance indicators are indicative of good performance and management for intermediate, load following facilities. Our fossil baseload units had an average equivalent availability of 90.07% and a capacity factor of 73.92% for the eleven-month period ending February 29, 2008. Thus, the fossil baseload units were also well managed and operated. For the eleven-month period ending February 29, 2008, the Company's nuclear generation system achieved an actual capacity factor of 93.64%. Excluding outage time associated with reasonable outages, such as refueling, the nuclear generation system's net capacity factor for this period rises to 101.7%. Therefore, pursuant to S.C. Code Ann. § 58-27-865(F), since the adjusted capacity factor exceeds 92.5%, the Company is presumed to have made every reasonable effort to minimize the cost associated with the operation of its nuclear generation.

Q: How did the performance of the Company's nuclear system compare to the industry average?

A: As mentioned in the response to the previous question, during the period April 1, 2007 through February 29, 2008, the Company's nuclear generation system achieved an actual capacity factor of 93.64%. In contrast, the NERC five-year average capacity factor for 2002-2006 for all commercial nuclear generation in North America was 87.90%. The Company's nuclear system incurred a 0.58% forced outage rate during the eleven-month period ending February 29, 2008 compared to the industry average of 4.21%. These performance indicators reflect good nuclear performance and management for the review period.

Q. How did the Company's fossil units perform as compared to the industry?

A. Our entire fossil steam generation fleet operated well during the 11 months ending February 29, 2008, achieving an equivalent availability factor of 89.81% for this period. This performance indicator exceeds the most recently published NERC average equivalent availability for coal plants of 85.05%. The NERC average covers the period 2002-2006 and represents the performance of 905 coal-fired units. Equivalent availability is a more meaningful measure of performance for coal plants than capacity factor because the output of our fossil units varies significantly depending on the level of system load. For the eleven-month period ending February 29, 2008, our baseload fossil units, Mayo Unit 1, and Roxboro Units 1, 2, 3, and 4, operated at equivalent availabilities of 97.95%, 89.74%, 87.10%, 93.15%, and 82.39% respectively. Roxboro 2 and Roxboro 4 have relatively lower equivalent availabilities due to major turbine outages and scrubber installations that occurred in the spring 2007 and fall 2007, for each unit respectively.

As I mentioned earlier, the baseload coal units achieved an average equivalent availability of 90.07%. These performance indicators compare well with the industry weighted average equivalent availability factor of 84.83% for 177 similarly sized fossil units.

Q. How did the Company's hydroelectric units perform during the review period?

A. The usage of the hydro facilities on the Company's system is limited by the availability of water that can be released through the turbine generators. The Company's hydro plants have very limited ponding capacity for water storage. The Company operates the hydro plants to obtain the maximum generation from them; but because of the small water storage capacity available, the hydro units have been primarily utilized for peaking and regulating purposes. This operation maximizes the economic benefit of the units. The hydroelectric units had an equivalent availability of 95.21% and operated at a capacity factor of 16.36% for the eleven-month period ending February 29, 2008. The 5 year industry average for hydroelectric generation as published in NERC's most recent report reflects an average equivalent availability of 88.41% and an average capacity factor of 42.00%. These performance indicators show that the Company managed the hydroelectric facilities well, keeping them almost always available for economic use when water was available. The low capacity factor for the Company's hydroelectric facilities reflects the exceptional drought conditions experienced across the Company's system during the review period. However, hydroelectric facility generation comprises only a small amount of the total energy generated for

the Company's system needs. For the 2005-2006, 2006-2007, and 2007-2008 review periods, the Company's hydroelectric generation facilities generated 1.14%, 1.01%, and 0.51% of the total energy generated by the Company's system.

Q. Are you presenting any exhibits with your testimony?

A. Yes. Roberts Exhibit No. 1 is a graphic representation of the Company's generation system operation for the eleven-month period ending February 29, 2008.

Q. Did the Company prudently operate and dispatch its generation resources during the period April 1, 2007 through February 29, 2008 in order to minimize its fuel costs?

A. Yes.

Q. Does this conclude your testimony?

A. Yes.

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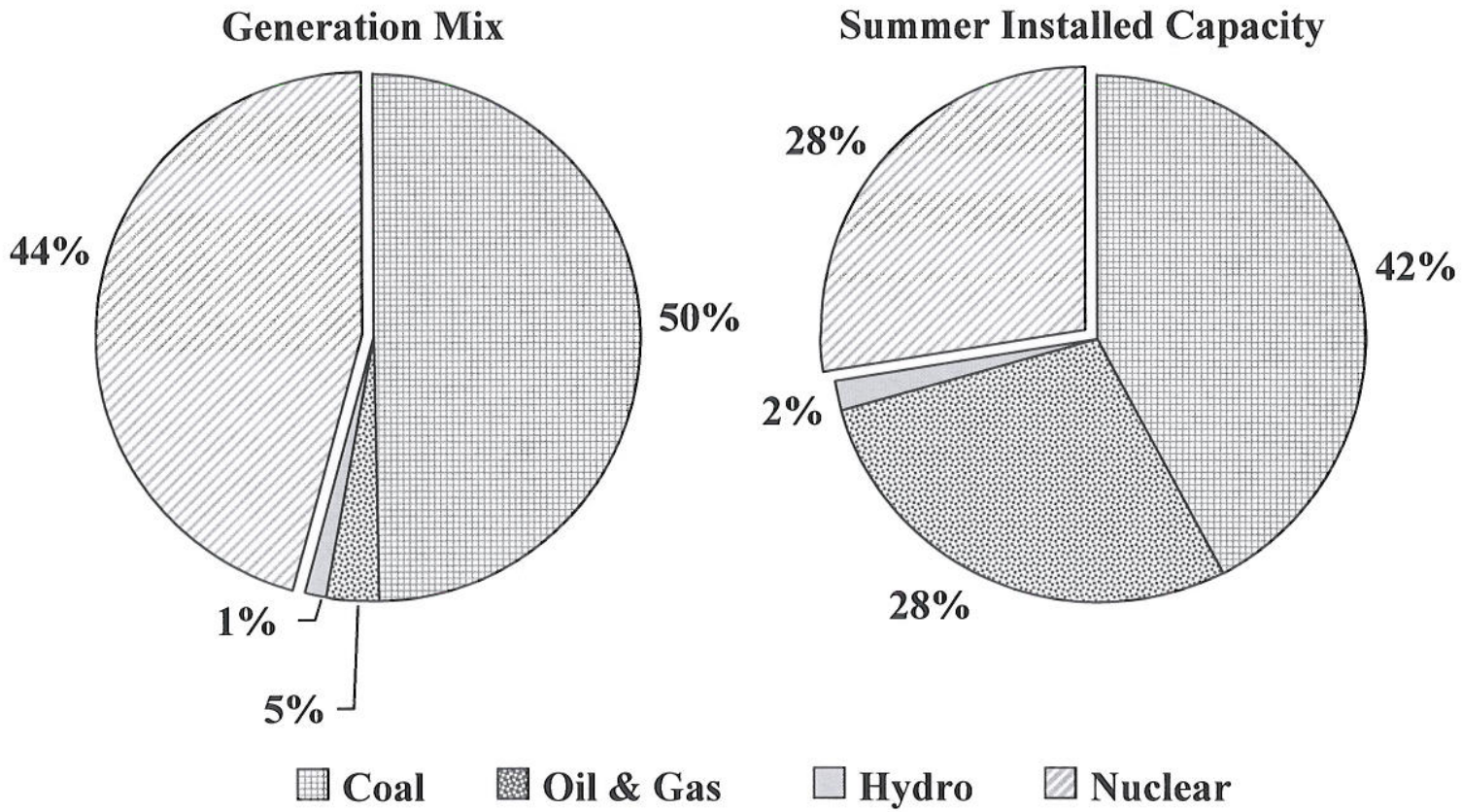
Comparison of Progress Energy Carolinas
Installed Generating Capacity
to Actual Generation Mix
April 1, 2007 through February 29, 2008



Roberts Exhibit No.1
Docket No. 2008-1-E